

TEXAS SOCIETY SONS OF THE
AMERICAN REVOLUTION, INC.
FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

TEXAS SOCIETY SONS OF THE
AMERICAN REVOLUTION, INC.

TABLE OF CONTENTS

	<u>Page</u>
Independent auditors' report	1
Financial statements:	
Statement of financial position	2
Statement of activities and changes in net assets	3
Statement of cash flows	4
Notes to financial statements	5 - 8

Certified Public
Accountant



INDEPENDENT AUDITORS' REPORT

Board of Managers
Texas Society Sons of the American Revolution, Inc.

We have audited the accompanying statement of financial position – modified cash basis of the Texas Society Sons of the American Revolution, Inc. (a not-for-profit organization) for the years ended December 31, 2013 and 2012, and the related statements of activities and changes in net assets – modified cash basis, and statement of cash flows – modified cash basis for the years then ended. These financial statements are the responsibility of the Texas Society Sons of the American Revolution, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

As described in Note 1, these financials statements were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Texas Society Sons of the American Revolution, Inc. as of December 31, 2013 and 2012, and the changes in its net assets and its cash flows for the years then ended, on the basis of accounting described in Note 1.

Austin, Texas
October 23, 2014

A handwritten signature in blue ink that reads 'Frank Melvin, PC'. The signature is written in a cursive style and is positioned to the right of the printed date.

TEXAS SOCIETY SONS OF THE AMERICAN REVOLUTION, INC
STATEMENTS OF FINANCIAL POSITION
MODIFIED CASH BASIS AT
DECEMBER 31, 2013 AND 2012

	Total (Memo)		Operations		Patriots		Ritchie Fund		Perpetual Membership	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
ASSETS										
Current Assets										
Cash	\$ 190,771	\$ 215,441	\$ 172,462	\$ 176,842	\$ 13,543	\$ 35,297	\$	\$	\$ 4,766	\$ 3,302
Investments	763,697	646,576	5,407	5,460	540,316	435,052	42,526	39,914	175,448	166,150
Prepaid Expense	1,765	38	765	38	1,000					
Inter Fund	52,239	48,123	43		27,205	23,133			24,991	24,990
Total Assets	<u>\$ 1,008,472</u>	<u>910,178</u>	<u>\$ 178,677</u>	<u>\$ 182,340</u>	<u>\$ 582,064</u>	<u>\$ 493,482</u>	<u>\$ 42,526</u>	<u>\$ 39,914</u>	<u>\$ 205,205</u>	<u>\$ 194,442</u>
LIABILITIES AND NET ASSETS										
Current Liabilities										
Accounts Payable	\$ 2,662	\$ 1,048	\$ 2,562	\$ 948	\$ 100	\$ 100	\$	\$	\$	\$
Deferred Membership Dues National/State/Local	73,924	85,231	73,924	85,131		100				
Inter Fund	52,239	48,123	32,730	28,250		364	1,000	1,000	18,509	18,509
Total Current Liabilities	<u>128,825</u>	<u>134,402</u>	<u>109,216</u>	<u>114,329</u>	<u>100</u>	<u>564</u>	<u>1,000</u>	<u>1,000</u>	<u>18,509</u>	<u>18,509</u>
Net Assets										
Unrestricted Net Assets										
Unrestricted	646,425	560,929	64,461	68,011	581,964	492,918				
Board Designated Restricted	5,000		5,000							
Total Unrestricted Net Assets	<u>651,425</u>	<u>560,929</u>	<u>69,461</u>	<u>68,011</u>	<u>581,964</u>	<u>492,918</u>				
Permanently Restricted Net Assets	<u>228,222</u>	<u>214,847</u>					<u>41,526</u>	<u>38,914</u>	<u>186,696</u>	<u>175,933</u>
Total Net Assets	<u>879,647</u>	<u>775,776</u>	<u>69,461</u>	<u>68,011</u>	<u>581,964</u>	<u>492,918</u>	<u>41,526</u>	<u>38,914</u>	<u>186,696</u>	<u>175,933</u>
Total Liabilities & Net Assets	<u>\$ 1,008,472</u>	<u>\$ 910,178</u>	<u>\$ 178,677</u>	<u>\$ 182,340</u>	<u>\$ 582,064</u>	<u>\$ 493,482</u>	<u>\$ 42,526</u>	<u>\$ 39,914</u>	<u>\$ 205,205</u>	<u>\$ 194,442</u>

The accompanying notes are an integral
part of these financial statements

TEXAS SOCIETY SONS OF THE AMERICAN REVOLUTION, INC.
STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
MODIFIED CASH BASIS
FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012

	Total (Memo)		Operations		Patriots		Ritchie Fund		Perpetual Membership	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Revenues										
Contributions	\$ 13	\$ 0	\$ 13	\$	\$	\$	\$	\$	\$	\$
Application Fees	8,624	14,346	8,624	14,346						
Investment Income	25,551	16,777	17	11	15,389	9,905	1,250	1,772	8,894	5,089
Unrealized Gains on Investments	82,243	51,087			62,308	35,426	1,362	1,931	18,573	13,730
Life Memberships		510		510						
Membership Dues	29,401	27,463	29,401	27,463						
Supplemental/Reinstatement Fees										
Donations	23,642	21,633	218	1,614	22,934	18,019			490	2,000
Other Revenue	788	3,260	548	2,350	240	910				
Total Revenues	170,261	135,076	38,821	46,294	100,871	64,260	2,612	3,703	27,957	20,819
Expenses										
General and Administrative Expenses	67,390	59,510	37,371	37,531	11,825	1,288	1,000	2,000	17,194	18,691
Program Services		10,790				10,790				
Total Expenses	67,390	70,300	37,371	37,531	11,825	12,078	1,000	2,000	17,194	18,691
Increases in Unrestricted Net Assets	90,496	8,763	1,450	8,763	89,046					
Increase in Permanently Restricted Net Assets	12,375	56,013				52,182	1,612	1,703	10,763	2,128
Total Increase in Net Assets	\$ 102,871	\$ 64,776	\$ 1,450	\$ 8,763	\$ 89,046	\$ 52,182	\$ 1,612	\$ 1,703	\$ 10,763	\$ 2,128
Net Assets, Beginning of Year	776,776	711,000	68,011	59,248	492,918	440,736	39,914	37,211	175,933	173,805
Adjustments to Fund Balances	0									
Net Assets End of Year	\$ 879,647	\$ 775,776	\$ 69,461	\$ 68,011	\$ 581,964	\$ 492,918	\$ 41,526	\$ 38,914	\$ 186,696	\$ 175,933

The accompanying notes are an integral
part of these financial statements

TEXAS SOCIETY SONS OF THE AMERICAN REVOLUTION, INC.
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Total (Memo)		Operations		Patriots		Ritchie Fund		Perpetual Membership	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES										
Changes in Net Assets	\$ 103,871	\$ 64,777	\$ 1,449	\$ 8,764	\$ 89,047	\$ 52,182	\$ 2,612	\$ 1,703	\$ 10,763	\$ 2,128
Decrease (Increase) in A/R										
Net Increase (Decrease) in Payables	614	948	1,614	948	(1,000)					
Decrease (Increase) in prepaid expenses	(726)	350	(726)	350						
(Decrease) Increase in Deferred Liabilities	(11,308)	7,656	(11,208)	7,656	(100)					
Increase (Decrease) in Due to Other Funds	4,115	(1,505)	4,480	(2,370)	(365)	(135)				1,000
(Increase) Decrease in Due From Other Funds	(4,115)	1,504	(43)		(4,072)	1,504				
Net Cash Provided (Used) by Operating Activities	92,451	73,730	(4,434)	15,348	83,510	53,551	2,612	1,703	10,763	3,128
CASH FLOWS FROM INVESTING ACTIVITIES										
Net (Increase) Decrease in Investments	(117,121)	(72,183)	54	(230)	(105,264)	(64,123)	(2,612)	(1,703)	(9,299)	(6,127)
Net Cash Provided/(Used) by Investing Activities	(117,121)	(72,183)	54	(230)	(105,264)	(64,123)	(2,612)	(1,703)	(9,299)	(6,127)
Net Increase/(Decrease) in Cash	(24,670)	1,547	(4,380)	15,118	(21,754)	(10,572)	0	0	1,464	(2,999)
Cash Balance, Beginning of Year	215,441	213,894	176,842	161,724	35,297	45,869	0	0	3,302	6,301
Cash Balance, End of Year	\$ 190,771	\$ 215,441	\$ 172,462	\$ 176,842	\$ 13,543	\$ 35,297	\$ 0	\$ 0	\$ 4,766	\$ 3,302

The accompanying notes are an integral
part of these financial statements

TEXAS SOCIETY SONS OF THE AMERICAN REVOLUTION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Texas Society Sons of the American Revolution, Inc. (The Society) is a male lineage society that perpetuates the ideals of the war for independence. As a historical, educational, and patriotic, non-profit corporation, we seek to maintain and expand the meaning of patriotism, respect for our national symbols, the value of American citizenship, and the unifying force of "*e pluribus unum*" that was created from the people of many nations -- one nation and one people. The Society is a not-for-profit organization exempt from Federal income taxes under section 501(c)(3) of the Internal Revenue Code and, therefore, no provision for Federal income tax has been made in the accompanying financial statements.

Method of accounting - The financial statements are presented using the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. This basis of accounting differs from accounting principles generally accepted in the United States of America in that under the modified cash basis, revenues and related assets are generally recognized when received rather than when earned, and expenses and related liabilities are generally recognized when paid rather than when incurred, except for certain membership dues received in advance.

Cash equivalents - For purposes of the statement of cash flows, The Society considers highly liquid investments, such as money market funds, as cash equivalents.

Basis of Presentation - Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, The Society is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Contributions - The Society accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support, depending on the existence or nature of any donor restrictions.

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported on the statement of activities as net assets released from restrictions.

TEXAS SOCIETY SONS OF THE AMERICAN REVOLUTION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments - The Society accounts for investments in accordance with the requirements of the Financial Accounting Standards Board in SFAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*. In accordance with SFAS No. 124, investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position, and gains and losses on investments are reported in the statement of activities as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or by law.

Current liabilities - The amounts due to the national society and to local chapters, and the amounts of deferred revenues represent dues collected in advance by The Society that have not been remitted to the national or local organizations nor earned by the state organization as of the Statement of Financial Position date.

NOTE 2 - SARBANES–OXLEY ACT OF 2002

As a not-for-profit organization, the Society is subject to the *Public Company Accounting Reform and Investor Protection Act* commonly called Sarbanes–Oxley. The act was enacted July 30, 2002 and set new and enhanced standards for all U.S. public company boards, management and public accounting firms. It is named after sponsors U.S. Senator Paul Sarbanes and U.S. Representative Michael G. Oxley.

NOTE 3 – SCHOLARSHIPS

The Society has reserved donations for student scholarships. For the years 2013 and 2012, the amounts were \$10,150 and \$13,700 respectively. Liability for the scholarships will not begin until the student applies for admission to attend the university and the university applies to The Society for funding of these scholarships. The potential for the liability is open for five years from the date of the award to the recipient unless the recipient enlists in the military. As of December 31, 2013, the balance of unapplied for scholarships for the five year open period is \$24,000.

NOTE 4 – BOARD DESIGNATED RESTRICTED NET ASSETS

Management elected to restrict \$5,000 for funding of the 2018 NSSAR Congress to be held in Houston. The total amount estimated to be required of Society is \$30,000. Each year an additional \$5,000 will be recorded as board designated restricted until it is expended for the meeting. In 2014, \$10,000 was transferred into a separate bank account representing the 2013 and 2014 allotments of \$5,000 for each year.

TEXAS SOCIETY SONS OF THE AMERICAN REVOLUTION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)

NOTE 5 – FAIR VALUE MEASUREMENT

Financial accounting standards for fair value measurements define fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly

transaction between market participants at the measurement date. Current accounting standards establish a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable input (Level 3 measurements). The three levels of the fair value are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Society has the ability to assess.
- Level 2 Inputs to the valuation methodology include:
- Quoted prices for similar assets or liabilities in active markets;
 - Quoted prices for identical or similar assets or liabilities in inactive markets;
 - Inputs other than quoted prices that are observable for the asset or liability;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2013 and 2012.

Investments in marketable equity securities: Valued at the net asset value of shares held at year-end. The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Society believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the

TEXAS SOCIETY SONS OF THE AMERICAN REVOLUTION, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012
(Continued)

NOTE 5 – FAIR VALUE MEASUREMENT (Continued)

fair value of certain financial investments could result in a different fair value measurement at the reporting date.

The following sets forth by level, within the fair value hierarchy, The Society's assets at fair value as of December 31, 2013 and 2012.

	December 31, 2013		
	Level 1	Level 2	Level 3
Marketable equity securities	\$763,397	-	-
	December 31, 2012		
	Level 1	Level 2	Level 3
Marketable equity securities	\$646,576	-	-